

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

Periodic Reporting  
(Proposal Five)

Docket No. RM2017-9

CHAIRMAN'S INFORMATION REQUEST NO. 1

(Issued August 2, 2017)

On July 5, 2017, the Commission issued Order No. 3994 to initiate a rulemaking proceeding to consider a change in analytical method used in periodic reporting.<sup>1</sup> Proposal Five seeks to replace the In-Office Cost System (IOCS) sampling data with the Time and Attendance Collection System (TACS) to determine the share of costs for letter routes and special purpose routes (SPRs).<sup>2</sup> To assist in the evaluation of the proposal, the Postal Service is asked to provide a written response to the following questions and requests for information. The responses should be provided as soon as possible, but no later than August 9, 2017.

1. In Docket No. ACR2016, the Postal Service provided a table showing the TACS and Management Operating Data System (MODS) codes for city carrier street time delivery.<sup>3</sup> Underneath this table, the Postal Service states that: "[t]he

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<sup>1</sup> Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (Proposal Five), July 5, 2017 (Order No. 3994).

<sup>2</sup> Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Five), June 30, 2017 (Petition).

<sup>3</sup> Docket No. ACR2016, Response of the United States Postal Service to Question 1 of Chairman's Information Request No. 21, March 2, 2017, at 3 (Docket No. ACR2016, Response to CHIR No. 21).

specific TACS code used is determined locally.” Docket No. ACR2016, Response to CHIR No. 21 at 3.

- a. Please indicate how the specific TACS street delivery code is determined.
  - b. Please describe how the TACS code used would differ at the local level.
  - c. Please specify how this relates to those offices that do not record workhours in the TACS system.
2. Please provide the SAS program(s) and any data files used within the programs to produce the costs shown in Excel file “I\_FORMS-RM2017-9.Prop.5.xlsx,” tab “I-CS06.0.2.2 Input.”<sup>4</sup> The program(s) should show the calculation methodology including the development and use of the proposed TACS Labor Distribution Code (LDC) workhours, the FY 2016 IOCS sample records selection code, as well as how the TACS LDC workhours, IOCS sample records and actual accrued accounting costs by Cost Ascertainment Groups (CAGs)<sup>5</sup> for full-time and other city carriers were developed.<sup>6</sup>
  3. Please provide the SAS program(s) and any data files used within the programs to produce the costs shown in the Excel file “CS06&7-RM2017-9.Prop.5.xlsx,” tab “Input IOCS.”<sup>7</sup> The program(s) should show the calculation methodology including the development and use of the proposed TACS LDC workhours, the FY 2016 IOCS sample records selection code, as well as how the TACS LDC

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<sup>4</sup> This Excel file was included along with the Petition on June 30, 2017.

<sup>5</sup> CAGs are a method used by the Postal Service to classify post offices based on volume of revenue generated. CAG K offices have 36–189 revenue units, and CAG L offices have less than 36. See Glossary of Postal Terms available at [https://about.usps.com/publications/pub32/pub32\\_terms.htm](https://about.usps.com/publications/pub32/pub32_terms.htm).

<sup>6</sup> The post office accounting data broken down by craft and CAG level are included in Docket No. ACR2016, Library Reference USPS-FY16-37, In-Office Cost System (IOCS) Documentation (Public Version) folders “ALB” “HQ624D01,” files “FY161,” “FY162,” “FY163,” and “FY164,” December 29, 2016 (Docket No. ACR2016, USPS-FY16-37). The second to last populated column shows the accrued quarterly costs by CAG-finance group level for full-time city carriers and the last populated column shows the accrued quarterly costs for other city carriers.

<sup>7</sup> This Excel file was included along with the Petition on June 30, 2017.

workhours, IOCS sample records, and actual accrued accounting system costs by CAGs for full-time and other city carriers were developed.

4. Please provide the SAS program(s) and input data files or identify the section(s) of SAS programming code (if the programs and data have already been provided) that show how route type 99 costs were distributed between the Regular and SPR groups in Table 1 shown in the Petition at 4.
5. Please identify which route group cost pool that full-time and other city carriers costs unassigned to a route group or type would be assigned to or edited in the IOCS and explain the basis for the assignment or edit.
6. Please identify which route group cost pool that full-time and other city carriers unassigned to a route would be assigned to in the TACS or timekeeping system and explain the basis for the assignment.
7. Please confirm that the IOCS will continue to be used to identify letter route and SPR office, street, and training activity costs rather than TACS LDC workhours alone. If not confirmed, please explain why.
8. Please identify how the cost weights of IOCS sample records will be adjusted to account for differences between clocking status in the TACS LDC workhours and the activity and clocking status identified in the IOCS.<sup>8</sup>
9. If the compensation paid to an individual employee is influenced by the number of hours clocked into TACS by that employee, please indicate whether the amount of compensation owed to an individual employee depends solely on the total number of hours that an employee is clocked in or whether it is also influenced in whole, or in part, by the specific codes or categories under which time is recorded. If the amount of compensation owed depends in whole, or in

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<sup>8</sup> Under the current methodology, in addition to actual activity, the IOCS data collector verifies the sampled employee's clocking status (clocked in office LDC workhours and street LDC workhours) at the time of the reading. See Docket No. ACR2016, USPS-FY16-37, Excel file "IOCSDataDictionaryFY16.xlsx, tab "Mainframe Layout," cell "A242," "Q16A01."

part, on the codes or categories under which time is recorded, please explain the nature of this relationship.

10. In Docket No. ACR2015, the Postal Service stated that: “[a] subset of small offices do[] not use TACS, and these are generally in CAGs G, H, J, K and L.”<sup>9</sup> Specifically in FY 2015, nearly half (1,507) of the CAG Group G offices, 85.2 percent (7,506) of the CAG Group H/J offices and nearly all of the CAG Group K/L (95.6 or 12,305) offices did not record operation codes in TACS.<sup>10</sup>
- a. Please provide the FY 2016 total number (universe) of offices in CAGs G, H, J, K, and L.
  - b. Please provide the FY 2016 total number of offices in CAGs G, H, J, K, and L offices that did not record operation codes in TACS.
  - c. Please explain how the Proposal Five methodology would identify full-time and other city carrier letter route and SPR group office, street and training workhours in CAGs G, H, J, K and L offices that do not record operation codes in TACS.
  - d. Please discuss how LDC workhours are assigned or recorded to full-time city carriers and other city carriers at offices that do not record workhours in TACS.

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<sup>9</sup> See Docket No. ACR2015, Responses of the United States Postal Service to Questions 1-15 of Chairman’s Information Request No. 14, February 23, 2016, question 2.f.

<sup>10</sup> See Docket No. ACR2015, Responses of the United States Postal Service to Questions 1-4 of Chairman’s Information Request No. 19, March 14, 2016, question 1 (Docket No. ACR2015, Response to CHIR No. 19).

11. In Docket No. ACR2016, the Postal Service stated that for the IOCS city carrier readings it would be asking and collecting additional details about where the carrier is at the time of the reading (for carriers on the premises, the data collector will identify whether the carrier is inside the facility or outside the facility in the parking or loading area).<sup>11</sup> Please specify how these additional details collected by the IOCS data collector will be used to identify office, training, and street activity costs under Proposal Five.
12. Please refer to Excel file "CS06and7-RM2017-9.Prop.5.xlsx," tab "Input IOCS" filed with the Petition. The "Total SPR" group costs appear to be the sum of three SPR types given the data labels and the listed IOCS numeric route type code shown for that SPR. Specifically, within the file, the columns labeled "EXCL PARC POST" (type "86"), "COLLECTION" (type "87") and "Other" (type "98") were summed to produce the "Total SPR" costs shown.<sup>12</sup> However, in the Docket No. ACR2016 filing four IOCS SPR route type codes are summed to produce the "Total SPR" costs.<sup>13</sup> The data column labeled "COLLECTION" (type "87") represents two IOCS route types combined: "COLLECTION" (type "87") and "Relay Route" (type "89"). *Id.*

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<sup>11</sup> See Docket No. ACR2016, Responses of the United States Postal Service to Questions 1-13 of Chairman's Information Request No. 20, March 1, 2017, question 11.b.; see also Docket No. ACR2016, Library Reference USPS-FY-16-46 Public Material Filed in Response to Chairman No. 20, March 1, 2017 (Docket No. ACR2016, USPS-FY-16-46) folders "ChIR 20 Q 11," ChIR.20.Q.11.Files," "ACR16ChIR20Q11," "SP Letters," "FY2017," PDF file "SP#2FY17\_12082016.pdf," Attachment 3. Q16A2 On Premises, Is the employee on the premises? Response options will be A. Yes, inside the facility; B. Yes, outside the facility (parking/loading area); or C. No (off the premises).

<sup>12</sup> The IOCS numeric route type codes are listed in Docket No. ACR2016, USPS-FY16-37, Excel file "IOCSDataDictionaryFY16.xlsx," tab "Mainframe Layout," cells "D1653" through "D1665".

<sup>13</sup> The Commission replicated the Postal Service's SPR costs from Docket No. ACR2016, Library Reference USPS-FY16-32, FY 2016 CRA "B" Workpapers (Public Version), in Excel file "CS06&7-Public-FY16.xlsx," tab "Input IOCS," December 29, 2016, using the IOCS SAS data in Docket No. ACR2016, USPS-FY16-37, folder "Data," file "PRCPub16.sas7bdat."

- a. Please discuss whether the Proposal Five methodology also uses the IOCS route type codes 87 (collection route) and 89 (relay route). If not, please discuss the reasons why not.
  - b. Please discuss the reasons why the “COLLECTION” route type costs under Proposal Five methodology are about \$60 million more than those in the FY 2016 Annual Compliance Report filing for the column labeled “COLLECTION.”<sup>14</sup>For each SPR route type, please indicate whether the routes generally operate on a regular predetermined schedule or on an “as needed” basis. If a route type operates on a regular or predetermined schedule, please also specify the types of carriers that are routinely assigned to these routes.
13. The Postal Service states that “carriers on regular [letter] routes may spend some portion of their street time conducting SPR activities, while clock rings will only be entered into TACS by a supervisor after they return to the office and after the IOCS data collector has recorded the best information available at the time of the reading.” Petition at 2-3.
  - a. Please discuss what “portion of their street time conducting SPR activities” would be typical for a city carrier delivering on their usual letter route and what these activities typically entail.
  - b. Please describe how city carriers communicate and officially document their street time “SPR activities” in TACS while clocked in to their regular letter route street time workhours e.g., in Labor Distribution Code (LDC) 22. Docket No. ACR2016, Response to CHIR No. 21, question 1.b.iii.

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<sup>14</sup> Compare Excel file “CS06and7-RM2017-9.Prop.5.xlsx”, tab “Input IOCS,” total accrued costs in cell “H22” (\$210,848,000) with Docket No. ACR2016, USPS-FY16-32, Excel file “CS06&7-Public-FY16.xlsx,” tab “Input IOCS” total accrued costs in cell “H22” (\$150,675,000).

- c. Please describe the circumstances under which clock rings would be entered or changed into TACS by a supervisor after the carrier returns to the office.
14. The Postal Service states that using census data from TACS would allow the work activities of City Carrier Assistants (CCAs) “that are new, loaned or working within the Postal Service to be observed directly, eliminating the potential source of bias.” Petition at 3.
- a. Please describe how CCAs would be “observed directly” by using TACS workhours, and discuss how this process would differ from observation through the IOCS.
  - b. Please identify the cost pools impacted by the potential source of bias.
  - c. Please confirm whether the Postal Service has determined that there is a bias issue. If confirmed, please describe how the issue was detected or assessed. If not confirmed, does the Postal Service believe this potential bias will manifest in the future?
  - d. Please specify whether any IOCS sampling procedures will be modified as a result of Proposal Five. If so, please describe the changes in sampling procedures.
  - e. In general, please explain whether obtaining additional city carrier IOCS readings at differing times, days, or offices would reduce or prevent any potential biases or systematic errors. If no IOCS sampling changes would reduce or prevent any potential biases or systematic errors, please explain the reasons why.
15. In Docket No. ACR2016, the Postal Service stated that carriers who are delivering parcels to their own letter route during unusual hours “normally clock to their regular MODS operation codes in LDC 22. One reason for that is so that the route gets credit for the appropriate volume. In these cases, the carrier will

be recorded [by the IOCS data collector] as assigned to their regular letter route. During peak season, carriers may instead clock to an LDC 23 MODS code. Nevertheless, if they are delivering to their regular letter route, they will likely be recorded in IOCS as assigned to their regular letter route. During peak season, there is also an increase in carriers delivering parcels that span multiple letter routes; these would be recorded as a parcel-only delivery route, i.e.,] SPR.”<sup>15</sup>

Docket No. ACR2016, Response to CHIR No. 21, question 1.b.ii.

- a. Please describe the circumstances that would cause a carrier to deliver “parcels to their own letter route at unusual hours.” In the response, please explain whether regular letter route carriers deliver parcels to their routes at unusual hours because:
  - i. The carrier starts their route at an atypical time;
  - ii. Unusually high mail volumes makes it impossible for the carrier to complete their route within normal working hours;
  - iii. High parcel volumes necessitate that the carrier traverse their route delivering non-parcel mail and then repeat the route to deliver parcels; or
  - iv. Other reason(s).
- b. If high parcel volumes make it necessary for a carrier to traverse his or her route a second time in order to deliver parcels, does the Postal Service classify that second pass as a regular letter route, as an Exclusive Parcel SPR, or as another type of SPR?

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<sup>15</sup> The TACS feeds into the MODS and processes employee clock rings for MODS workhours reporting. See Docket No. ACR2016, USPS-FY16-46, Handbook M-32 PDF file “ChIR.20.Q.12.m32.MODS.2009.pdf” section 1-3, at 2; section 2-4, at 8; see also Docket No. ACR2016, Responses of the United States Postal Service to Questions 1-13 of Chairman’s Information Request No. 20, March 1, 2017, question 12.



- c. Please explain the reason(s) why carriers who deliver parcels to their own letter route at unusual hours clock into LDC 23 during the peak season and LDC 22 at other times.
  - d. When regular letter route city carriers deliver parcels to their own letter routes at unusual hours and are clocked into LDC 23 during the peak season and LDC 22 at other times, in what instances, if at all, are they clocking their time incorrectly?
  - e. Please identify which, if any, clock rings a supervisor would edit in TACS during peak season or non-peak season, and the reasons a supervisor would or would not edit those clock rings.
  - f. Please explain how mail volume is credited to routes, including how this process takes into consideration the LDC code the carrier is clocked into. In your response, please address:
    - i. Situations in which the regular carrier is delivering mail at unusual hours;
    - ii. Situations in which someone other than the regular carrier is delivering mail at unusual hours; and
    - iii. Situations in which someone other than the regular carrier is delivering mail to a route during normal hours.
16. The Postal Service states that “[c]arriers may be loaned on short notice to another finance number to assist with SPR deliveries there.” Petition at 2.
- a. Are CCAs the only type of letter carriers loaned out in this way? If not, please identify the other types of letter carriers that are loaned out in this way.
  - b. What procedures, if any, do city carriers follow to track their time when loaned on short notice to another office?

- c. How are costs impacted or allocated (for cost attribution purposes) when city carriers are loaned on short notice?
  - d. Are the recent city carrier costs logged at CAG K or L offices due to city carriers loaned on short notice to assist with SPR deliveries there? If not, please explain the city carrier changes in these offices.<sup>16</sup>
  - e. Please explain why the IOCS does not sample full-time or other city carriers employed in CAG K or L offices.<sup>17</sup>
17. The Petition states that there are “practical challenges in implementing the IOCS sample that may lead to systematic errors in IOCS-based estimates of total costs for carrier work assignments, including route group totals.” Petition at 2.
- a. Please describe what the systematic errors would be and which work assignments would be impacted.
  - b. Please specify if these “systematic errors” apply to both full-time and other city carriers. If they do, please explain why. If they do not, please describe the relevant differences between full-time carriers and other city carriers.
18. The letter route group street time costs calculated in Proposal Five are approximately \$167 million less than those calculated in Docket No. ACR2016<sup>18</sup>

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<sup>16</sup> The post office quarterly accounting data broken down by craft and CAG-finance group level is included in Docket No. ACR2016, USPS-FY16-37, folders “ALB” “HQ624D01” in files “FY161,” “FY162,” “FY163,” and “FY164.” The second to last populated column shows the accrued quarterly costs for full-time city carriers and the last populated column shows the accrued quarterly costs for other city carriers. The CAG K costs are shown on the last line in the respective city carrier columns referenced above.

<sup>17</sup> See Docket No. ACR2016, USPS-FY16-37, PDF file “USPS-FY16-37.pdf,” Table 2, at 5.

<sup>18</sup> Compare Proposal Five letter route group street costs in the Excel file “CS06and7-RM2017-9.Prop.5.xlsx,” tab “7.0.4.1,” cell “D11” (\$11,729,825,000) with Docket No. ACR2016, USPS-FY16-32, Excel file “CS06&7-Public-FY16.xlsx,” tab “7.0.4.1,” cell “D11” (\$11,897,123,000).

while the SPR group street time costs are nearly \$200 million higher.<sup>19</sup> Please explain, with technical details and specific IOCS cost estimation components,<sup>20</sup> how removing city carriers in the first four weeks of employment and city carriers loaned to other offices would result in a reduction in the letter route group street time costs of \$167 million and an increase of nearly \$200 million in the SPR group street time costs.

19. Please explain the procedures to ensure the recording accuracy of the TACS/LDC workhours for city carriers and supervisors and other managers. Please also include in your response the frequency of the procedures employed.
20. The Postal Service states that “[s]imilar to current IOCS cost estimation, the proportion of TACS workhours would be calculated separately for the two city carrier subgroups” and “[t]he workhour proportions would be applied to the total account costs associated with each craft subgroup.” Petition at 2.
  - a. Please confirm that the current methodology develops these costs at the CAG-finance group level.
  - b. Under Proposal Five, please specify whether the costs will be developed by the CAG and quarter for both the sampled full-time and other city carrier employee records from that CAG and finance group under Proposal Five.
  - c. If the Postal Service does not plan on developing costs at the CAG-finance group level for both the full-time and other city carrier employee groups under Proposal Five, please specify the reasons why not.

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<sup>19</sup> Compare Proposal Five SPR route group street costs in Excel file “CS06and7-RM2017-9.Prop.5.xlsx,” tab “Input IOCS,” cell “K21” (\$683,984,000) with Docket No. ACR2016, USPS-FY16-32, Excel file “CS06&7-Public-FY16.xlsx,” tab “Input IOCS,” cell “K21” (\$488,478,000).

<sup>20</sup> See the cost estimation components in the “1. Design Based Weight” and “2. Cost Weighting Factor” parts in the “D. Cost Estimation” section of the IOCS documentation provided in Docket No. ACR2016, USPS-FY16-37, PDF file “USPS-FY16-37.pdf,” at 6.

21. The Postal Service states that Proposal Five's methodology is "analogous to the methodology of cost segment 3 for MODS 1 and 2 finance numbers, where MODS workhours are used to establish mail processing costpools." Petition at 2. In Docket No. ACR2015, the Postal Service also stated that: "[d]ifferences between IOCS cost [pools] and [MODS/TACS workhour developed] cost pools can result from . . . supervisors edit[ing] the operation code for TACS clock rings and/or aggregated workhours subsequent to IOCS readings, or prediction errors in cases where tallies with missing or invalid MODS codes are assigned to cost pools based on the employee's recorded activity." Docket No. ACR2015, Response to CHIR No. 19, question 4. As a result, for the mail processing cost pools, the Postal Service adjusts either the costs for the IOCS-developed cost pools or the MODS/LDC/TACS cost pools based on the sampled employees actual clocked MODS code and activity identified and recorded by the IOCS data collector at the MODS 1 and 2 facilities.
- a. Please discuss whether the TACS LDC workhours developed cost pools under Proposal Five would also be adjusted at MODS 1 and 2 facilities based on the sampled employee's actual clocked MODS code and activity identified by the IOCS data collector. If no adjustment is planned at MODS 1 and 2 facilities under Proposal Five for differences in IOCS city carrier cost pools versus TACS LDC developed cost pools, please discuss the reasons why none are needed.
  - b. For MODS 1 and 2 facilities, please provide the IOCS developed letter route and SPR group office, street, and training cost pools for both full-time and other city carriers.
  - c. Please compare the MODS 1 and 2 facilities IOCS-developed cost pools provided in part "b." of this question with the same cost pools developed under the Proposal Five methodology. Please discuss the reasons for any material differences between the cost pools developed under the current

methodology and the Proposal Five methodology and the reasons why one or the other cost pool by city carrier and route group is more or less accurate.

22. Currently, mail processing cost pools at non-MODS facilities do not employ the same MODS/LDC/TACS workhours methodology used for MODS 1 and 2 facilities. Instead, specific costs are developed using the IOCS identified activity, rather than the TACS/MODS operation codes or workhours directly. Please discuss whether the TACS LDC workhours developed cost pools under Proposal Five would also be adjusted at non-MODS facilities based on the sampled employee's actual clocked MODS code and activity identified by the IOCS data collector. If no adjustment is planned at non-MODS facilities under Proposal Five for differences in IOCS city carrier cost pools versus TACS LDC developed cost pools, please discuss the reasons why none are needed.
  - a. For non-MODS facilities, please provide the IOCS developed letter route and SPR group office, street, and training cost pools for both full-time and other city carriers.
  - b. Please compare the non-MODS facilities IOCS-developed cost pools provided in part "a." of this question with the same cost pools developed under the Proposal Five methodology. Please discuss the reasons for any material differences between the cost pools developed under the current methodology and the Proposal Five methodology and the reasons why one or the other cost pool by city carrier and route group is more or less accurate.
23. Suppose a city carrier's street time delivery work day is broken into three parts: (a) three hours of delivery on their regularly assigned letter route; (b) one hour of delivery on a special purpose route; and (c) two hours of other delivery outside of their regularly assigned carrier route.

- a. Will the carrier be required to return to the office and “clock-in” at the completion of each part of their different delivery activity?
- b. Will the carrier remain on the street for six hours and record only one clock ring? If so, will that clock ring be classified as letter route street time (LDC 22)?

By the Chairman.

Robert G. Taub